



MONTANA LEGISLATIVE BRANCH

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Legislative Fiscal Analyst
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DATE: September 27, 2006

TO: Members of the Legislative Finance Committee

FROM: Barbara Smith, Fiscal Analyst II

RE: LC 0147 – Revise Resource Indemnity Trust Funding Laws

The attached bill draft represents the proposed changes to the Resource Indemnity Trust (RIT) funding laws. The proposed legislation is 58 pages in length. For this reason, the following summary is provided to assist in reading the bill.

Major Changes

The proposed legislation makes five major changes and addresses cleanup issues. The five major areas are:

- 1) Re-design of the Renewable Resource and Reclamation & Development Funds
- 2) Transfer of the balance of the Natural Resources Scholarship Fund
- 3) Revision of the Resource Indemnity Ground Water Assessment (RIGWA) tax allocation
- 4) Elimination of statutory appropriations
- 5) Elimination of the cap on the Groundwater Assessment Fund

Re-design the Renewable Resource and Reclamation and Development Funds

The renewable resource and reclamation and development funds were established to provide funding for grant and loan programs. Over time the funds have been utilized for other programs and activities, as appropriations were made based on the availability of funds, rather than the statutory purpose of the fund. The proposed legislation eliminates the current funds and establishes two new funds:

- o Natural Resources Project Fund: funds for the renewable resource, reclamation and development, and irrigation development grant and loan programs
- o Natural Resources Operations Fund: funds for other natural resource related activities

The draft legislation allocates revenues to the natural resource project fund by directing revenues noted in current statute as specifically for the purpose of making grants and loans. The natural resources operating fund receives all other amounts currently directed to the renewable resources and reclamation and development funds. These changes can be found in sections 1, 2, 3, 4, 7, 13, 14, 15, and 16. The new funds are established in sections 20 and 21.

Transfer Balance of Natural Resources Scholarship Fund

The Natural Resources Scholarship program is set to sunset in June of 2007. The program has not been widely used and the fund balance is currently \$150,000. The proposed legislation redirects the allocation of RIGWA from the scholarship fund to the water storage fund to assist with the backlog of rehabilitation projects on state owned water projects. This change can be found in Section 3.

Revise allocation of RIGWA taxes

The orphan share currently receives ten percent of total revenues from RIGWA taxes. The legislature has transferred unused funds from the account to both the hazardous waste fund (HW) and the environmental quality protection fund (EQPF) to maintain positive cash balances in those accounts. The proposed legislation re-allocates \$630,000 of RIGWA taxes each biennium equally to the HW and EQPF funds rather than depositing the funds to the orphan share. This change would remove the orphan share fund from the RIT matrix, as it would no longer receive revenue from RIGWA taxes. This change can be found in Sections 3, 8, 9 and 10.

Eliminate Statutory Appropriations of RIT Interest

Two programs currently receive statutory appropriations for RIT interest. First, the oil and gas damage mitigation fund receives \$50,000 per biennium to provide funding for the administrative oversight of priority reclamation and development grants to plug abandoned wells. The second statutory appropriation of RIT interest is for \$240,000 per year to Montana State University – Northern for the purpose of providing funding for 2.76 FTE for science and water programs with the remaining funds budgeted for debt service on laboratory renovations.

The proposed legislation eliminates the statutory appropriations. Requests for funding can be made during the regular appropriations process. This can be found in Sections 4, 6 and 11.

Remove Cap on Groundwater Assessment Fund

The Montana Bureau of Mines at the University of Montana in Butte receives a direct allocation of \$666,000 of RIT interest and RIGWA proceeds for the purpose of monitoring groundwater. These funds are deposited to groundwater assessment fund. Current statute limits the fund balance to \$666,000 and directs all other grants and donations to the program to be deposited to the fund. The cap prevents the program from actively seeking additional funding. The proposed legislation eliminates the cap. This can be found in section 18.

Statutory Clean up

The RIT subcommittee recommends all fund statutes be clear in regard to fund purpose and fund utilization. The proposed legislation removes the requirements for the water storage grant and loan program which has never been developed. In addition restrictive uses of the RIT interest are struck as it was rendered invalid due to Butte-Silver Bow Local Gov't v State 235 Mont 398 (1989). These changes can be found in sections 5 and 17.

If you have any questions regarding this bill draft please do not hesitate to contact me at 444-5347 or at basmith@mt.gov.

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